

APPENDIX C ADDITIONAL FINANCIAL CONSIDERATIONS

DIRECT COSTS

When reviewing the Direct Costs consider the following parameters as described in [2 CFR §215.34, OMB Circular A-87](#).

Salaries and Wages - All grantees. All remuneration paid currently or accrued by the organization for employees working on the FMCSA-supported project during the grant period is allowable to the extent that:

- Total compensation to individual employees is reasonable for the work performed and conforms to the established policy of the organization consistently applied to both government and non-government activities
- The charges for work performed directly under grants and for other work allocable as indirect costs are determined and documented as provided in the applicable Federal cost principles
- Colleges and Universities. Chapter J.10 of OMB Circular A-21 establishes criteria for compensation for work performed on government projects by faculty members during and outside the academic year.

Fringe benefits are allowable as a direct cost (if not included as an indirect cost)¹ in proportion to the salary charged to the grant, to the extent that such payments are made under formally established and consistently applied organizational policies.

Equipment definitions (derived from and [2 CFR §215.34, OMB Circular A-87](#)) apply to most FMCSA grants:

- Acquisition cost of equipment is the net invoice price of the equipment, including the cost of modifications, attachments, accessories, or auxiliary apparatus necessary to make the property usable for the purpose for which it was acquired. Other charges, such as the cost of installation, transportation, taxes, duty, or protective in-transit insurance, should be included in the unit acquisition cost consistent with the grantee's regular accounting practices
- Equipment is tangible nonexpendable personal property including exempt property charged directly to the grant having a useful life of more than one year and an acquisition cost of \$5,000 or more per unit. However, consistent with grantee policy, lower limits may be established
- General-purpose equipment is permanent equipment that is usable for other than research, medical, scientific, or technical activities, whether or not special modifications are needed to make it suitable for a particular purpose. Examples of general-purpose equipment include office equipment and furnishings, air conditioning equipment, reproduction and printing equipment, motor vehicles, and computer

¹ Fringe benefits can be applied as either a direct or indirect cost, just not included in both calculations. If applied as a direct cost confirmation should be made that fringe is not included in the indirect cost rate, as determined by the Cognizant agency.

equipment. General purpose equipment expenditures are unallowable as direct costs unless approved in advance

- Special-purpose equipment is permanent equipment, which is usable only for research, scientific, or technical activities.

Special-Purpose Equipment - Expenditures for special-purpose equipment are allowable as direct costs provided the acquisition of items with a unit cost of \$5,000 or more is:

- Necessary for the research or activity supported by the grant
- Not otherwise reasonably available and accessible
- Of the type normally charged as a direct cost to sponsored agreements
- Acquired in accordance with organizational practice.

Review and approval is required for all equipment purchases by small business or other commercial organizations.

Computer Services - The costs of services involving the use of highly complex or specialized facilities operated by the organization, such as computing facilities, are allowable provided the charges meet the conditions of the governing cost principles. Grantees should address lease versus purchase factors as required by [2 CFR §215.44](#) (Procurement Procedures for services).

Consultant Services - (A-122, Attachment B, Chapter 39, A-21, Chapter J, Subchapter 37 and A-87, Attachment B, Chapter 32.)

Outside Consultants

- Grantees normally are expected to utilize the services of their own officers or employees to the maximum extent in managing and performing the activities supported by FMCSA grants. Where it is necessary for a grantee to enter into a sub-award for the services of persons who are not its officers or employees, it is expected to do so in accordance with written organizational standards which provide for consideration of the factors outlined in the governing cost principles
- Costs of professional and consultant services rendered by persons who are members of a particular profession or possess a special skill and who are not officers or employees of the performing organization are allowable when reasonable in relation to the services rendered. Payment for consultant services should be comparable to the normal or customary fees charged and received by the consultant for comparable services, especially on non-government contracts and grants
- For all funds awarded prior to March 15, 2006, payment for a consultant's services may not exceed the daily equivalent of the then current maximum rate paid to an Executive Schedule Level IV Federal employee (exclusive of indirect cost, travel, per diem, clerical services, fringe benefits and supplies). See <http://www.opm.gov/oca/10tables/pdf/ex.pdf>
- In determining the allowability of costs in a particular case, no single factor or any special combination of factors is necessarily determinative. However, the following factors, among others, are relevant:

- The nature and scope of the service rendered in relation to the service required
- The necessity of issuing a sub-award for the service considering the organization's capability in the particular area
- The past pattern of such costs, particularly in the years prior to the award of government contracts and grants
- The impact of government contracts and grants on the organization's total activity (e.g., what new problems have arisen)
- Whether the proportion of government work to the organization's total activity is such as to influence the organization in favor of incurring the cost, particularly where the services rendered are not of a continuing nature and have little relationship to work under government contracts and grants
- Whether the service can be performed more economically by employment rather than by consulting
- The qualifications of the individual or concern rendering the service and the normal/customary fees charged and received by the individual for comparable services, especially on non-government contracts and grants
- The adequacy of the contractual agreement for the service (e.g., description of the service, estimate of time required, rate of compensation and termination provisions)
- In addition, to be allowable retainer fees must be supported by evidence of bona fide services available or rendered
- Costs of legal, accounting and consulting services and related costs incurred in connection with organization and reorganization, defense of antitrust suits and the prosecution of claims against the government are unallowable. Costs of legal, accounting, and consulting services and related costs incurred in connection with patent infringement litigation are unallowable unless otherwise provided for in the grant
- Grantees may hire consultants not identified in the grant proposal or award, provided:
 - It is in accordance with written organizational standards
 - Grant funds are reallocated in accordance with the grantee's policies which are consistent with the governing cost principles
 - It is within the limits of the grant funding.

Intra-University Consulting - Intra-university consulting is assumed to be undertaken as a university obligation requiring no compensation in addition to the full-time salary, as well as to those who function as consultants or otherwise contribute to a project conducted by another faculty member of the same institution. However, in unusual cases where consultation is across departmental lines or involves a separate or remote operation, and the work performed by the consultant is in addition to his regular appointment, any charges for such work representing extra compensation above the salary are allowable if consistent with established university policy and the applicable cost principles.

Federal Employees - Employees of the Federal Government (other than DOT) may be utilized as lecturers or staff members on a project and may receive compensation and/or expenses if they obtain prior approval from their agencies to participate, and if services to the project are performed outside their regular working hours or while they are on leave status from official duties. Under no circumstances may DOT employees receive compensation from a DOT- supported project.

COST REIMBURSEMENT GRANTS

Expenditures under FMCSA cost reimbursement grants are governed by the Federal cost principles⁹⁷ and must conform to FMCSA policies, grant special provisions, and grantee internal policies. Grantees should ensure that costs claimed under FMCSA grants are necessary, reasonable, allocable, and allowable under the applicable cost principles, FMCSA policy, and/or the program solicitation. In the event a grantee anticipates charging an item of direct cost that might subsequently be disputed, an authorized official of the grantee organization should discuss the matter with the appropriate Program Manager, and document the conditions or factors surrounding the item in order to avoid possible subsequent disallowability.

PROGRAM INCOME

For program income, FMCSA uses the "deduction" alternative for most assistance awards to State and local governments.² The "deduction" alternative is also the standard for awards to institutions of higher education, hospitals, and nonprofit organizations, except for research awards, for which the "additive" alternative is the standard.³

Program income includes fees for services performed including:

- The use or rental of real or personal property acquired with grant funds
- The sale of commodities or items fabricated under a Grant Agreement
- The payments of principal and interest on loans made with grant funds
- Program income generally does not include interest on grant funds, rebates, credits, discounts, refunds, and interest earned on any of them
- Program income is deducted from outlays which may be both Federal and non-Federal, as described below, unless the Grant Agreement specifies another alternative (or a combination of the alternatives). If the additional cost sharing or matching alternatives are authorized, program income in excess of any limits stipulated shall also be deducted from outlays.

PRE-AWARD COSTS

A grantee must receive prior approval to charge pre-award costs to an award. There are three scenarios in which it is allowable, but generally it is only permitted in unusual and compelling circumstances.

- 1) The most allowable scenario is when the program authority is enacted and the appropriation has become available; in this case, the risk to the grantee is lower

² In accordance with 49 CFR Part 18.25(g) (1)

³ In accordance with 49 CFR Part 19.24(d).

- 2) Another scenario is when the program authority is enacted, but the appropriation has not yet become available. The allowability for such a situation is strictly on a case-by-case basis and is limited
- 3) The final scenario is when neither the program authority nor the appropriate is available and under this scenario most pre-award costs would not be allowed.

In all cases, the request and the costs must be approved by the Division Administrator and others at FMCSA.

Grantees may incur allowable pre-award costs within the 90-day-period immediately preceding the effective date of the grant providing:

- The approval of pre-award spending is made and documented in accordance with the FMCSA procedures
- The advanced funding is necessary for the effective and economical conduct of the project
- ***Pre-award expenditures are made at the grantee's risk.*** Grantee authority to approve pre-award costs does not impose an obligation on FMCSA in the absence of appropriations, if an award is not subsequently made or if an award is made for a lesser amount than the grantee anticipated.

MAXIMUM OBLIGATION

The maximum obligation of FMCSA for support of the project will not exceed the amount specified in the grant, as amended. FMCSA does not amend grants to provide additional funds for such purposes as reimbursement for unrecovered indirect costs resulting from the establishment of final negotiated rates or for increases in salaries, fringe benefits, and anticipated other costs.

POST-EXPIRATION COSTS

FMCSA funds may not be expended subsequent to the expiration date of the grant except to liquidate valid commitments that were made on or before the expiration date. For example, commitment of project funds is valid when specialized (research) equipment is ordered well in advance of the expiration date but where, due to unusual or unforeseen circumstances, delivery of such equipment is delayed beyond the expiration date. The costs of equipment ordered after the expiration date, however, may not be charged to the project.